

# Trade Union responses to World Bank restructuring projects

## *The case of Transmilenio in Colombia*

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### Introduction

Transmilenio is a bus rapid transit (BRT) system that was inaugurated in Colombia's capital city, Bogotá, in December 2000. It is the most used BRT system in the world, with 1.6 million passengers a day, and the most extensive, with 88km of exclusive road plus an integrated feeder system. It is currently in its third phase of expansion.

BRT has emerged as the sustainable transport solution of choice to reduce pollution and congestion and provide good quality urban transport at a lesser cost than constructing a metro or rail network. This trend has been encouraged by international institutions, not least the World Bank, which has financed the development of BRT in cities in Latin America, Asia and Africa. A series of six World Bank transport projects in Colombia have helped finance Transmilenio in Bogotá to the tune of US\$450.4 million.<sup>1</sup>

At the fourth International Mass Transport Fair, Transmilenio was described as the "world reference point for bus rapid transit systems".<sup>2</sup> Colombia has hosted delegations from more than 20 countries looking to learn from its experience of implementing BRT. If Transmilenio is a replicable model that is likely to inform urban public transport restructuring across the globe, this paper considers the winners and losers of that model. It goes on to consider the possibilities open to trade unions wishing to influencing the World Bank in order to promote more equitable outcomes for transport users and workers.

Given the chaotic state of urban public transport in Bogotá before the introduction of Transmilenio – with thousands of old, polluting vehicles competing for passengers in what was known as the *guerra del centavo*, the 'penny war' – it is clear that the centrally planned provision of bus rapid transit represents an improvement. The World Bank celebrates the cuts in travel time, accidents and pollution resulting from the reforms and investment it has supported. Bogotá's local government describes Transmilenio as the pride of the capital, part of efforts to transform Bogotá into a city of the future.

This case study was prepared for discussion at a planning workshop for the [Decent Development project](#), which Public World is developing in partnership with four global union federations and FNV Mondiaal.

It was researched and written by Julie Porter in collaboration with Francisco Mora, president of the SNTT, the Colombian transport workers union.

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However, there have been losers as well as winners, and an analysis of these two groups from the perspective of social justice illustrates some issues in the World Bank's development model, and in particular its *a priori* insistence on enhancing private sector involvement in service provision (a stated objective of the projects which have financed Transmilenio).

### **Restructuring: winners & losers**

BRT is a centralisation and a rationalisation of Bogotá's public transport – fewer buses carrying more passengers, travelling faster down dedicated lanes – that enables a reduction of the workforce. Francisco Mora, president of the Colombian Transport Workers' Union, the SNTT, estimates that every Transmilenio bus replaces seven mini-buses or *colectivos*. From the perspective of labour, the biggest failing in Transmilenio's implementation has been the lack of any labour planning to assess the impact of restructuring on the existing workforce and to ensure that affected workers are supported to gain employment in the new system, to retrain in order to find alternative work, or to take early retirement.

The *guerra del centavo* was organised in a way that incentivised unsafe driving in the fierce competition for passengers. Spending 16 to 18 hours a day at the wheel in order to take home a living wage left many drivers suffering from back and kidney problems and otherwise poor health. These workers are unable to pass the medical required to work for Transmilenio and many are disqualified from applying by the unpaid, and unpayable, traffic fines in their name. In Francisco's words: "We call the (old) system the penny war. So we served in the war and we got into debt for the war, but now that the war is ending we are out in the cold."

This situation is not surprising given the lack of any consultation with workers and their representatives in the planning and implementation of Transmilenio. Consideration of the labour implications of restructuring is absent from all World Bank documents, including the project impact analyses based on the Bank's social and environmental safeguards. Moreover, the impunity with which breaches of core labour standards are treated in Colombia is well known. As the International Centre for Trade Union Rights (ICTUR) has put it: "The situation of trade unionists in Colombia is, in short, dire. Over recent years hundreds of trade union activists have been murdered for the simple fact of their trade union membership and activities. Sometimes the amount of information coming from Colombia is daunting, with urgent action request after urgent action request."<sup>3</sup>

One of the positive achievements of Transmilenio has been the creation of formal jobs in a sector previously characterised by precarious and informal employment relationships, but even here further scrutiny reveals problems. While terms and conditions are undoubtedly better in Transmilenio than in the old system, drivers complain of worsening working practices. The two main problems are broken shifts that require drivers to be available for up to 16 hours in order to work the eight they are paid for (an increasingly common practice in other countries too), and the perception of drivers that disciplinary procedures intended to raise service standards are applied arbitrarily to claw back earnings, through imposition of fines for an extensive list of internal rules. Freedom of association in Colombia is a fragile right at best, and the small minority of drivers who are unionised have no collective bargaining rights. Therefore, their capacity to take up such grievances with management and negotiate for a disciplinary system in which they can have more confidence is severely limited.

The expansion of Transmilenio has also been met by protests in recent months from the small transporters association APETRANS<sup>4</sup>, which represents some of the thousands of individual bus owners who are being put out of business. They complain of unfair terms of involvement for those who choose to remain in public transport as part of the Transmilenio feeder system, and a buy-out fee for those who choose instead to take their vehicle off the road that they calculate at just 60% of the market value of their buses. They and their supporters, including drivers' trade unions, argue that Transmilenio has created an oligopoly in the city's public transport.<sup>5</sup> In the words of Jaime Caidedo, councillor for the Polo Democrático Alternativo (Alternative Democratic Party), "the tendering process is designed to deliver this lucrative business to the same seven families who monopolize most of Bogotá's transport, leaving more than 16,000 families who make a living from their buses or mini-buses out on the street."

There are also question marks against some of the broader social and economic benefits claimed for the reforms. In a press statement on 31 March 2010, the World Bank lauds Transmilenio as "a modern and financially self-sustaining bus rapid transit system", and the second stated objective of the World Bank Colombia Integrated Mass Transit System project is "providing reliable transport accessibility for the poor".<sup>6</sup> However, the current 1,600 pesos (approx. 80 US cents) Transmilenio fare (which excludes the price of the feeder buses) currently puts the service beyond the reach of many of the city's poorest and most vulnerable citizens. Following the deaths in April this year of two 13-year-old school boys under the wheels of a Transmilenio bus they tried to board without paying, there have been renewed calls for a differentiated fare that makes the service affordable to all. The National Association of Secondary School Students, the National Association of University Students and the Organisation of Colombian Pensioners are among the voices calling for a two-tier fare system.

Rigidities built into the contract arrangements will make that a difficult goal to accomplish, however; with the public company Transmilenio in receipt of only 4% of the income from the system, and required to compensate the private operating companies if it chooses to set the passenger fare below the "technical fare"<sup>7</sup> established in their contracts, it seems that Transmilenio's financial sustainability is predicated in practice on the service being more expensive than the city's poorest inhabitants can afford. It remains unclear whether or not a differential fare scheme will be introduced, how much it would cost, or how it could be financed, but the claim that the system has achieved both self-sustainability and access for the poor is evidently premature.

Moreover, the financial design of the system raises questions about its capacity to provide a fair return to taxpayers for their investment. The infrastructure on which the entire BRT system depends has been financed through a combination of a petrol surtax (paid by car users and the old public transport system), World Bank loans, and other public funds. Transmilenio has sole responsibility for the maintenance of the infrastructure on which the system depends. However, 96% of the income from the 1.6 million passengers that use Transmilenio daily leaves the public purse to be distributed between the private bus operating companies with the concessions for the main trunk routes (72%) and feeder system (15%), and the private company that collects the fares (9%). How much of this money is siphoned off to private interests rather than reinvested in the system requires further investigation – a research task that would be a daunting one even in a country in which business transparency and human rights are observed. Precisely because those standards do not obtain in Colombia, it is not unreasonable to expect the

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World Bank to take those issues seriously rather than make sweeping claims for the success of the Bogotá model as a basis for global replication.

Moreover, there are widespread complaints about overcrowding on the buses, and high levels of theft, but no system in place for accountability to users. (Ironically, the main contribution the system makes to democratic accountability appears to be through its vulnerability to protesters, who find that obstructing the dedicated lanes and bringing the city to a halt is one of the most effective ways of attracting the attention of an unresponsive and frequently corrupt local government!)

### **How might Decent Development have helped?**

Transmilenio is currently being expanded with the introduction of 13 new zones as part of the creation of a Sistema Integrado de Transporte Público (SITP, Integrated Mass Transit System) for Bogotá.<sup>8</sup> Up to now, the old Transporte Público Colectivo (TPC, Collective Public Transport) system and its penny war has co-existed with Transmilenio. With the small transporters in protest at the terms of their inclusion in the formalised feeder system, which transports passengers to the BRT terminals, there has still been no planning of the labour transition as the TPC is phased out.

The experience suggests that even a progressive restructuring programme that results in the creation of formal jobs can have significant negative labour impacts, and exclusion of workers and their representatives from dialogue about the reforms undermines the possibility of tackling those problems fairly. In Colombia, the principal obstacle to worker engagement is the systematic violation of core labour standards and a political environment described by Amnesty International as the most dangerous in the world for trades unionists. In this context, it is particularly important to consider what leverage might be achieved for trade unions by focusing on the role of the World Bank, and the potential for influencing the course of reforms through its processes.

As a public institution with declared commitments to inclusion of core labour standards -- the World Bank has determined that the labour clauses of the IFC's Performance Standards should be conditions of its infrastructure loans to governments as well -- the Bank surely has a responsibility to take seriously the labour impacts of those projects. However, trade unions and workers organisations in the global South have inadequate capacity to intervene in the design and implementation of projects to ensure that the Bank's global commitments are honoured at project level, and by doing so protect and promote their members' rights and livelihoods.

In Colombia, trade unions representing the affected mini-bus drivers and owners were organising protests as early as 1998 when the first phase of Transmilenio construction began, but their actions had little impact. As Francisco Mora has said: "We weren't aware of the possibility of influencing World Bank projects at the different stages of their implementation -- this information is news to us." What kind of interventions might have been possible if there had been capacity to make them? The following section considers possibilities at successive phases of the [World Bank project cycle](#).

#### *Phase 1: Project identification and preparation*

##### Interventions:

- Conduct an impact analysis focusing on the likely labour and economic implications of the project, which illustrates the probable winners and losers from restructuring.

- Form alliances between trade unions, representative organisations of affected workers in the informal sector and other civil society organisations based on the findings of the impact analysis.
- Develop and propose revisions to the project design.
- Lobby the World Bank and government for the inclusion in the project of specific supports to the labour transition process required for restructuring, in line with the Bank's own [toolkit](#) on labour restructuring.
- Lobby the World Bank and government for the establishment of mechanisms to require respect for ILO core labour standards (for example, inclusion of labour conditions in construction and service contracts and independent monitoring of adherence), and of meaningful consultation with representatives of affected workers, as conditions of their loan.
- Lobby the World Bank and government for the project to be structured in a way that meets poverty alleviation goals and retains profits within the system in transparent ways that minimise the need for public subsidy.

#### Capacity supports:

- An “early warning system” to monitor and alert unions to projects in development by the World Bank and share the information with national unions whose members are likely to be affected, while the projects are still in the early stages of identification and planning.
- Translation of World Bank documents into project country language, if necessary. (At the time this report was written, it was not Bank policy to translate key project documents into the main language of the country concerned; however, that has since changed.)
- Support for a labour and economic impact analysis.
- Support in lobbying the World Bank: education and training, information, identification of project manager, etc.

#### Barriers:

- Low levels of unionisation among workers in the old public transport system due to factors including 16 to 18 hour working days, informal employment relationships, lack of education about rights, hostile environment, and negative propaganda about trade unions.
- World Bank projects in development are assessed in line with a number of social and environmental safeguards which aim to identify and mitigate negative impacts. While the Bank aims to help “poor” people, there is currently no safeguard that recognizes that the “poor” are economically active and can include workers directly affected by the project.
- Despite statements of commitment made by the Bank to labour standards, their application to ‘non-employee’ workers such as those affected by Transmilenio is limited.

#### *Phase 2: Project appraisal, negotiation and approval*

#### Interventions:

- Request a meeting with World Bank staff who visit Colombia as part of the appraisal process in order to influence the Project Appraisal Document and the terms and conditions of the loan.
- Continue to support the building of alliances and lobby the World Bank and government with demands made during phase 1.
- Lobby the legislature not to ratify the project until workers’ demands have been addressed.

#### Capacity supports:

- Translation of World Bank documents into project country language.
- Support in deconstruction of document contents in terms of labour and social concerns.
- Facilitation of meeting with World Bank project appraisal staff.

#### Barriers:

- Lack of mechanism to ensure that trade union concerns shared with World Bank appraisal staff will be included in the Project Appraisal Document. (The PAD is only released publicly after it has been approved by the World Bank Executive Board.)
- The conditions of the World Bank loan are only released publicly once the project has been approved.
- Limited democratic access to national decision makers.

### *Phase 3: Project Implementation*

#### Interventions:

- Support in making formal complaint to the World Bank if appropriate. Potential issues include: the resistance of the Colombian authorities to social dialogue with representatives of the workers affected by restructuring; failure to include planning for the labour transition; refusal of the operating companies to respect workers' rights for collective bargaining coupled by inaction on the part Transmilenio to enforce this right in its supply chain.
- Continue to develop alliances focused on labour concerns, and align with civil society and service users' organisations concerned about economic impacts, quality of service and evidence of corruption in construction contracts to demand a democratically accountable service that is affordable for all.
- Monitor any legal reforms required for project implementation.
- Update labour and economic impact analysis and disseminate to trade unions globally (especially to unions in countries where BRT is in development) and civil society organisations monitoring the World Bank and other international financial institutions.
- Investigate how contracts with current operators are monitored by Transmilenio and lobby for mechanisms to monitor labour standards throughout Transmilenio's supply chain, in which workers' independent representatives are involved.
- Lobby the government for the promotion of best practice in employment standards in all future service contracts, and for these contracts to be conditioned on respect for workers' rights to freedom of association and collective bargaining, with a mechanism for trade unions to report companies who fail to respect these conditions.

#### Capacity supports:

- Support in making formal complaint to World Bank.
- Support in conducting labour and economic and social impact analysis.
- Sharing of information about the practices and operations in other countries of companies that are tendering for service contracts.

#### Barriers:

- Little democratic space for unions to propose proactive measures such as those suggested.
- Financial information to conduct a detailed analysis of the distribution of costs and profits of the Transmilenio system (including the public company and the private operators and fare collectors) is difficult to access.

### *Phase 4: Project Evaluation*

#### Interventions:

- Submit labour and economic impact analysis to the World Bank Operations Evaluation Department (OED).
- Submit labour and economic impact analysis to the World Bank Quality Assurance Group and Inspection Panel, and request meetings with both departments to discuss findings.

#### Capacity supports:

- Identify and facilitate appropriate World Bank contacts, in conjunction with the ITF and the Global Unions Washington office.
- Provide evidence of similar problems in other World Bank projects to strengthen the impact of the findings about Transmilenio.

## Barriers:

- World Bank project evaluation is both internal and very limited. The OED evaluates projects in terms of their original objectives, which in the case of Transmilenio include the promotion of private sector involvement (in which the projects have been a success) and exclude planning for a fair labour transition and the creation of decent jobs.

## **Conclusions**

An analysis of the way that urban public transport has been restructured in Bogotá over the past decade illustrates the significant positive reappraisal of the role of state planning and financing in World Bank policy. However, it also illustrates continuing flaws and deficiencies in realising in practice the commitment to greater consultation with workers' organisations to which the Bank has become committed in principle. Greater consultation with civil society, including independent trade unions, in the process of project design, implementation and evaluation is necessary in order to ensure improved social and economic sustainability impacts, and strengthened democratic accountability, in World Bank projects.

The case of Transmilenio demonstrates that while the World Bank project process currently affords potential opportunities for intervention that trade unions might consider to further their demands, national trade unions may not be aware that these openings exist. They are likely to lack the capacity and resources to explore these opportunities and exploit the leverage that exists in the World Bank's commitments to labour standards and fair and transparent process to strengthen their negotiating position in the design and implementation of restructuring.

Transmilenio is considered a world reference point for urban public transport restructuring and reform. As such, the need for trade unions to mobilise knowledge and resources to demand fairer treatment for workers, and to forge alliances with other civil society stakeholders to monitor and evaluate wider economic and social impacts, is particularly pressing.

## **References**

- <sup>1</sup> Total capacity building and Bogotá infrastructure costs for projects P114325, P112852, P101356, P082466, P074726, P006872.
- <sup>2</sup> The IV Feria Internacional de Transporte Masivo took place in Bogotá in 2009.
- <sup>3</sup> <http://www.ictur.org/Colombia.htm>, retrieved 26 May 2010
- <sup>4</sup> Asociación Nacional de Pequeños Propietarios del Transporte Público.
- <sup>5</sup> Statement of support for APETRANS strike in March 2010 by the Movimiento en Defensa de los Derechos del Pueblo (the Movement in Defence of the Rights of the People).
- <sup>6</sup> World Bank Project Information Document, Concept Stage. Report No.: AB4561. Project Name: Colombia Integrated Mass Transit Systems (IMTS) Additional Financing. Date approved: July 2009.
- <sup>7</sup> The technical fare is the average cost of the service per passenger, calculated based on payment by bus kilometre agreed in operating contracts with private companies.
- <sup>8</sup> A series of three World Bank loans have been made in the name of the SITP since 2004, although projects with other names have also contributed to the continuing transport restructuring.

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